

AKZO NOBEL NV
Form 6-K
October 18, 2006

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

October 18, 2006

Report of Foreign issuer

**Pursuant to Rule 13a-16 or 15d-16 of
The Securities Exchange Act of 1934**

(Commission file number) 0 - 017444

Akzo Nobel N.V.
(Translation of registrant's name into English)

76, Velperweg, 6824 BM Arnhem, the Netherlands
(Address of principal executive offices)

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf of the undersigned, thereto duly authorized.

Akzo Nobel N.V.

Name R.J. Frohn

:

Title : Chief Financial Officer

Name J.J.M. Derckx

:

Title : Director Financial Reporting

Dated : October 18, 2006

**The following exhibit
is filed with this report
Akzo Nobel Report for the third quarter of 2006**

Report for the 3rd quarter of 2006

Key Figures

3 rd quarter			Millions of euros (EUR)	January-September		
2006	2005	%		2006	2005	%
3,449	3,299	5	Revenues	10,415	9,694	7
364	319	14	Operating income excluding incidentals (EBIT)	1,061	927	14
10.6	9.7		EBIT margin, <i>in</i> %	10.2	9.6	
503	465	8	EBITDA excluding incidentals	1,477	1,353	9
14.6	14.1		EBITDA margin, <i>in</i> %	14.2	14.0	
461	280	65	Operating income (EBIT)	1,188	1,040	14
13.4	8.5		EBIT margin, <i>in</i> %	11.4	10.7	
313	175	79	Net income	923	644	43
1.09	0.61		per share, <i>in</i> EUR	3.22	2.25	

Delivering on profitable growth

Autonomous growth 6%

Operational income up 14%

Organon volumes up 8%; strong operational quarter

Intervet autonomous growth of 7%; steady pharma margins

Coatings another strong quarter; acquisitions contributing

Chemicals solid performance despite energy and raw material pressure

Net income up 79% sound operational performance; positive contribution from incidentals

Strong cash flow

Interim dividend unchanged EUR 0.30 per common share

Trading conditions revenues growth and increased operational results at all segments

Report for the 3rd quarter of 2006

The results for 2006 will be published on February 15, 2007.

Note

The data in this report are unaudited.

Revenues consist of sales of goods and services, and royalty income.

Autonomous growth is defined as the change in revenues attributable to changed volumes and selling prices. It excludes currency, acquisition, and divestment effects.

Incidentals are special benefits, results on divestments, restructuring and impairment charges, and charges related to major legal, antitrust, and environmental cases. Operating income excluding incidentals is one of the key figures management uses to assess the company's performance, as this figure better reflects the underlying trends in the results of the activities.

EBIT margin is operating income (EBIT) as percentage of revenues.

EBITDA is EBIT before depreciation and amortization.

Safe Harbor Statement*

This report contains statements which address such key issues as Akzo Nobel's growth strategy, future financial results, market positions, product development, pharmaceutical products in the pipeline, and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecasted and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, progress of drug development, clinical testing and regulatory approval, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business please see our Annual Report on Form 20-F filed with the United States Securities and Exchange Commission, a copy of which can be found on the company's corporate website www.akzonobel.com.

* Pursuant to the US Private Securities Litigation Reform Act 1995.

Report for the 3rd quarter of 2006

CONDENSED CONSOLIDATED STATEMENT OF INCOME

3 rd quarter			Millions of euros	January-September		
2006	2005	%		2006	2005	%
3,449	3,299	5	Revenues	10,415	9,694	7
(1,849)	(1,799)		Cost of sales	(5,577)	(5,241)	
1,600	1,500		Gross profit	4,838	4,453	
(827)	(809)		Selling expenses	(2,551)	(2,429)	
(210)	(206)		Research and development expenses	(661)	(600)	
(188)	(170)		General and administrative expenses	(550)	(523)	
(2)			Other operating income/(expenses)	1		
(9)	4		IAS 39 fair value adjustments	(16)	26	
			Incidentals:			
68	4		special benefits	68	177	
41	22		results on divestments	176	35	
(9)	(2)		restructuring and impairment charges	(71)	(17)	
(3)	(63)		charges related to major legal, antitrust, and environmental cases	(46)	(82)	
461	280	65	Operating income (EBIT)	1,188	1,040	14
(26)	(40)		Financing charges	(98)	(111)	
435	240		Operating income less financing charges	1,090	929	
(127)	(61)		Taxes	(181)	(268)	
308	179	72	Earnings of consolidated companies after taxes	909	661	38
16	5		Earnings from nonconsolidated companies	39	9	
324	184		Profit for the period	948	670	
(11)	(9)		Minority interest, attributable to minority shareholders	(25)	(26)	
313	175	79	Net income, attributable to equity holders	923	644	43
13.4	8.5		EBIT margin, <i>in %</i>	11.4	10.7	
17.7	7.0		Interest coverage	12.1	9.4	
1.09	0.61		Net income per share, <i>in EUR</i>	3.22	2.25	
1.08	0.61		basic	3.20	2.24	
600	426	41	EBITDA	1,604	1,466	9
125	109		Capital expenditures	339	342	

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125

135

Depreciation

378

398

3

Report for the 3rd quarter of 2006

SEGMENT DATA

3 rd quarter			Millions of euros	January-September		
2006	2005	%		2006	2005	%
Revenues						
626	590	6	Organon	1,945	1,769	10
276	277		Intervet	838	816	3
1,638	1,457	12	Coatings	4,715	4,200	12
912	966	(6)	Chemicals	2,930	2,886	2
(3)	9		Intercompany revenues/other	(13)	23	
3,449	3,299	5	Total	10,415	9,694	7
Operating income (EBIT) excluding incidentals						
96	68	41	Organon	285	227	26
54	56	(4)	Intervet	163	163	
161	142	13	Coatings	440	349	26
83	83		Chemicals	277	252	10
(30)	(30)		Other	(104)	(64)	
364	319	14	Total	1,061	927	14
10.6	9.7		EBIT margin, in %	10.2	9.6	
Operating income (EBIT)						
96	8		Organon	280	331	(15)
54	77	(30)	Intervet	169	190	(11)
155	140	11	Coatings	526	342	54
91	85	7	Chemicals	251	259	(3)
65	(30)		Other	(38)	(82)	
461	280	65	Total	1,188	1,040	14
13.4	8.5		EBIT margin, in %	11.4	10.7	

Report for the 3rd quarter of 2006

Revenues autonomous growth of 6%

Third-quarter revenues grew 5% to EUR 3,449 million. Autonomous growth was 6%, with all segments contributing; volume growth was 5%, while selling prices were up 1%. The slight negative currency translation effect was mainly attributable to the weaker US dollar. On balance, acquisitions and divestments had no effect. At Intervet, the decrease was attributable to the divested feed additive businesses. Coatings completed the Flood acquisition in August 2006. Acquisitions also include Sico, Swiss Lack, and Zweihorn. The divestments in Chemicals related to the deals concluded so far under the program announced in 2005.

Revenues developed as follows:

<i>In %</i>	Total	Volume	Price	Currency translation	Acquisitions/ divestments
Organon	6	8		(2)	
Intervet		7		(2)	(5)
Coatings	12	6	1	(2)	7
Chemicals	(6)	1	3	(1)	(9)
Akzo Nobel	5	5	1	(1)	

Operational income up 14%

Excluding incidentals, operating income rose 14% from EUR 319 million to EUR 364 million. The EBIT margin improved significantly from 9.7% to 10.6%. Including incidentals, operating income increased 65% to EUR 461 million, with an EBIT margin of 13.4% (2005: 8.5%).

Organon clearly benefited from revenue growth and improved manufacturing. Intervet achieved a stable operational performance. Coatings earnings excluding incidentals were up 13% driven by revenue growth at all business units. Chemicals turned in a solid performance despite higher energy and raw material prices.

EBITDA excluding incidentals amounted to EUR 503 million, up 8% on last year's third quarter. The EBITDA margin was 14.6% (2005: 14.1%).

Report for the 3rd quarter of 2006

Incidentals on balance a gain of EUR 97 million

Incidentals in the third quarter of 2006 on balance resulted in a gain of EUR 97 million (2005: loss of EUR 39 million).

In 2006, special benefits of EUR 68 million predominantly resulted from the transition to a defined contribution scheme for certain US pension plans and a change of the US postretirement healthcare plan. The results on divestments of EUR 41 million were mainly attributable to the divestment of the Solar Salt activities in Australia and of an office building in Stockholm.

The incidentals for the third quarter of 2005 included the gain on the divestment of certain feed additive activities of Intervet and the settlement of several Remeron court cases in the United States.

In the third quarter of 2006, the *tax* rate increased to 29% (2005: 25%), reflecting the geographical mix of the results. The year-to-date tax rate was 17% compared with 29% for the same period last year. 2006 included a one-time tax benefit of around EUR 125 million, attributable to the tax agreement reached in the second quarter of 2006. Excluding this benefit, the tax rate in the first three quarters of 2006 was 28%.

Earnings from nonconsolidated companies in the third quarter of 2006 were EUR 16 million, compared with EUR 5 million in 2005. In 2006, earnings included incidental gains of EUR 6 million from Acordis, while 2005 included incidental charges of EUR 2 million related to Flexsys. Operational earnings improved from EUR 7 million to EUR 10 million, mainly attributable to Flexsys.

Net income up 79%

Net income surged 79%, from EUR 175 million to EUR 313 million, as a result of the improved operational performance and the incidental benefits. Earnings per share were EUR 1.09 (2005: EUR 0.61). Excluding incidentals, net income rose 19% from EUR 201 million to EUR 240 million.

For the first nine months of 2006, net income rose 43% to EUR 923 million, mainly due to the improved operational performance and the one-time tax benefit. Earnings per share were EUR 3.22 (2005: EUR 2.25). Excluding incidentals, net income increased 26% to EUR 700 million (2005: EUR 555 million).

Report for the 3rd quarter of 2006

Workforce up 1,040 organic growth and acquisitions partially offset by divestments and restructurings

At September 30, 2006, the company had 62,380 employees, compared with 61,340 at year-end 2005. Cost saving measures at Coatings and Chemicals caused a decrease of 670 in the first three quarters of 2006. Growth of certain businesses and seasonal influences resulted in a workforce expansion of 990. Acquisitions and divestments on balance added 720. Developments were as follows:

	September 30, 2006	Restructurings	Acquisitions/ divestments	Other changes	December 31, 2005
Organon	13,890		(260)	50	14,100
Intervet	5,380		10	110	5,260
Coatings	31,670	(470)	2,000	940	29,200
Chemicals	9,980	(200)	(1,030)	(220)*	11,430
Other	1,460			110*	1,350
Akzo Nobel	62,380	(670)	720	990	61,340

* This includes the transfer of 100 employees from Chemicals to Other due to integration of certain technical functions.

Akzo Nobel top performer on social responsibility index

Akzo Nobel's improved social responsibility performance has been reflected in the company being ranked among the chemicals industry leaders on the prestigious Dow Jones Sustainability World Indexes (DJSI). Rated on the index for the second successive year, Akzo Nobel significantly improved its average score in the individual indicators and achieved a best ever overall mark, climbing from a rating of 78% to an industry-leading 86%.

One of the world's leading corporate social responsibility indexes, the DJSI World Index benchmarks the sustainability performance of leading companies based on environmental, social and economic performance, including forward-looking financial indicators, and covers more than 2,500 companies worldwide, of which 300 companies from 22 countries were ranked. Out of 85 companies in the chemicals industry category, only the top 10 percent is ranked as a sustainability leader.

Interim dividend unchanged EUR 0.30

Akzo Nobel will declare an interim dividend for 2006 of EUR 0.30 per common share, unchanged from last year. Starting October 19, 2006, Akzo Nobel shares will trade ex-dividend. The interim dividend will be made payable on October 26, 2006.

2006 trading conditions

Based on the developments to date, we remain confident for the full year 2006. We will deliver on our main objectives for this year, being revenue growth and increased operational results at all segments.

Report for the 3rd quarter of 2006

Organon volumes up 8%; strong operational quarter

3 rd quarter			Millions of euros	January-September		
2006	2005	%		2006	2005	%
626	590	6	Revenues	1,945	1,769	10
96	8		Operating income (EBIT)	280	331	(15)
15.3	1.4		EBIT margin, <i>in</i> %	14.4	18.7	
96	68	41	EBIT excluding incidentals	285	227	26
15.3	11.5		EBIT margin, <i>in</i> %	14.7	12.8	
127	102	25	EBITDA excluding incidentals	379	322	18
20.3	17.3		EBITDA margin, <i>in</i> %	19.5	18.2	
31.5	31.0		S&D expenses as % of revenues	31.6		